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| ILLINOIS POWER COMPANY | : | |
| | : | |
| Proposed revisions to delivery service | : | Docket No. 01-0432 |
| tariff sheets and other sheets | : | |

Rebuttal Testimony of
Nicholas Phillips, Jr.

On behalf of
Illinois Industrial Energy Consumers

November 2001
Project 7626



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

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Rebuttal Testimony of Nicholas Phillips, Jr.

1 **I. Introduction**

2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Nicholas Phillips, Jr.; 1215 Fern Ridge Parkway, Suite 208; St. Louis, MO 63141-
4 2000.

5 **Q ARE YOU THE SAME NICHOLAS PHILLIPS THAT HAS PREVIOUSLY OFFERED**
6 **TESTIMONY IN THIS PROCEEDING?**

7 A Yes.

8 **Q WHAT IS THE SUBJECT MATTER OF YOUR REBUTTAL TESTIMONY?**

9 A My rebuttal testimony responds to the testimony filed on October 10, 2001 identified
10 as the prepared rebuttal testimonies of IP witnesses Peggy E. Carter, Karen R. Althoff
11 and Leonard M. Jones. My failure to respond to any witnesses' testimony or position
12 should not be construed as implied endorsement or acceptance of that testimony or
13 position.

II. IP Witness Peggy E. Carter

Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF IP WITNESS PEGGY E. CARTER WITH RESPECT TO IP'S PROPOSED LEVEL OF ADMINISTRATIVE AND GENERAL (A&G) EXPENSES AND GENERAL PLANT COSTS INCLUDING INTANGIBLE PLANT COSTS?

A Yes. In reference to my position that net General and Intangible Plant costs (excluding plant additions) only be increased in proportion to the increased amount of O&M expense required for delivery service from the level found appropriate by the Commission in the 1999 DST case, Witness Carter states: "He too appears to be singularly focused on the result of the Company's analysis and faulting the process because of the answer." (IP Exhibit 1.34 at Page 20) Witness Carter appears to be indicating that the labor allocation method as implemented by IP is appropriate since it was adopted by the Commission in the 1999 DST case, but that the level of A&G expense and General Plant costs including Intangible Plant costs found appropriate by the Commission for delivery service in the 1999 DST case should be ignored.

Q DID WITNESS CARTER PROVIDE ANY STUDIES REGARDING THE MOST COST EFFICIENT AND ECONOMIC LEVEL OF A&G EXPENSE FOR THE PROVISION OF DELIVERY SERVICE FOR IP?

A No. The following is a quotation of the IP Response to an IIEC data request for all studies done by witness Carter associated with the most cost efficient and economic level of A&G expense for the provision of distribution services and the IP response.

"Request: Please provide all studies done by witness Carter associated with the most cost efficient and economic level of A&G expense for the provision of distribution services for Illinois Power

1 Company. Please provide all workpapers and all studies
2 associated with any study in that regard.

3 Response: IP witness Carter has done no studies related to the most cost
4 efficient and economical level of A&G expense for the provision
5 of distribution services for Illinois Power Company. As part of
6 the annual budgeting process, IP witness Carter does review
7 issues such as staffing levels, workload, and expense levels of
8 the Controllers Group. No workpapers or other documents
9 associated with the review have been retained.” (IP Response
10 to IIEC Seventh Set of Data Requests, Item Number 131)

11 Therefore, witness Carter admits that no studies have been done regarding the most
12 cost efficient and economic level of A&G expense for the provision of distribution
13 services for IP.

14 **Q DID WITNESS CARTER PROVIDE ANY STUDIES WITH RESPECT TO THE MOST**
15 **ECONOMIC AND EFFICIENT LEVEL OF GENERAL PLANT REQUIRED TO**
16 **PROVIDE DISTRIBUTION SERVICES TO IP CUSTOMERS, INCLUDING**
17 **INTANGIBLE PLANT?**

18 **A** No. The following data request and response is in regard to this subject.

19 “Request: Please provide all studies done by witness Carter to determine
20 the most economic and efficient level of General Plant required
21 to provide distribution services to Illinois Power Company
22 customers.

23 Response: IP witness Carter has done no studies related to the most
24 economic and efficient level of General Plant required to
25 provide distribution services to Illinois Power Company
26 customers.” (IP Response to IIEC Seventh Set of Data
27 Requests, Item Number 132)

28 Therefore, witness Carter admits that no studies have been done to determine the
29 most economic and efficient level of General Plant required to provide distribution
30 services to IP customers. IP also admits that witness Carter has done no studies
31 related to the most economic and efficient level of Intangible Plant required to provide

1 distribution services to IP customers. (IP Response to IIEC Seventh Set of Data
2 Requests, Item Number 133)

3 **Q DOES IP WITNESS CARTER INDICATE THAT CERTAIN A&G EXPENSES HAVE**
4 **INCREASED?**

5 A Yes. Witness Carter states that Account 923, Outside Services Employed, has
6 increased by \$25.2 million (IP Exhibit 1.34, Page 48, Line 1026).

7 **Q WHAT IS THE PRIMARY CAUSE FOR THE INCREASE IN OUTSIDE SERVICES**
8 **EMPLOYED?**

9 A Witness Carter indicates that the increase is primarily attributable to the billings to IP
10 associated with services now provided by Dynegy (IP Exhibit 1.34, Page 52, Lines
11 1104 and 1105).

12 **Q DOES WITNESS CARTER INDICATE THAT NOW DYNEGY PROVIDES**
13 **SERVICES TO IP THAT WERE FORMERLY PERFORMED BY IP PERSONNEL?**

14 A Yes. Witness Carter states that many functions formerly performed at IP are now
15 performed at Dynegy.

16 **Q HAS WITNESS CARTER PROVIDED DOCUMENTATION SHOWING THE**
17 **ECONOMIC ADVANTAGE OR COST SAVINGS ASSOCIATED WITH OBTAINING**
18 **SERVICES FROM DYNEGY?**

19 A Not to my knowledge.

1 **Q HAS IP PROVIDED ANY DOCUMENTATION TO SHOW THAT SERVICES IT**
2 **OBTAINS FROM DYNEGY ARE MORE EFFICIENT AND ECONOMIC IN**
3 **PROVIDING SERVICE TO DISTRIBUTION CUSTOMERS COMPARED TO**
4 **SERVICES PERFORMED BY IP OR SERVICES PERFORMED BY SOME OTHER**
5 **PARTY?**

6 **A No. When asked to provide such documentation, IP's response is that it has no such**
7 documentation.

8 "Request: Provide documentation that the aforementioned services are
9 more efficient and economic for distribution customers
10 compared to services performed by Illinois Power Company
11 and services by some other party.

12 Response: Illinois Power has no documentation to provide in response to
13 this request. However, IP believes it was more efficient and
14 economical to have the services led by a single entity within the
15 Dynergy corporate structure, because otherwise there would be
16 greater duplication of functions, employees and costs between
17 IP and Dynergy. The same would be true if IP were to procure
18 some of the services from a third party while Dynergy continued
19 to provide the service internally. In addition, some of the
20 services would not be capable of being provided by a third
21 party, such as the services provided by the positions of Chief
22 Executive Officer, Chief Financial Officer and Treasurer." (IP
23 Response to IIEC Seventh Set of Data Requests, Item Number
24 135)

25 In addition, IP indicates that it does not issue a request for proposal (RFP) to
26 receive services such as those performed by Dynergy on a competitive bidding
27 process. (IP Response to IIEC Seventh Set of Data Requests, Item Number 136)

1 **Q WHAT DO YOU CONCLUDE WITH RESPECT TO IP'S REQUEST TO**
2 **SIGNIFICANTLY INCREASE THE LEVELS OF A&G EXPENSE, AND GENERAL**
3 **AND INTANGIBLE PLANT COSTS IT HAS PROPOSED BE INCLUDED IN**
4 **DISTRIBUTION SERVICE RATES?**

5 **A IP has submitted no studies that demonstrate that its requested significant increases**
6 **in these costs are economic or efficient with respect to the provision of delivery**
7 **service. I urge the Commission to reject the huge increases proposed by IP for these**
8 **cost items and follow the recommendation set forth in my direct testimony regarding**
9 **the appropriate levels for A&G expense, and General and Intangible Plant costs for**
10 **distribution service.**

11 **III. IP Witness Karen R. Althoff**

12 **Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY SUBMITTED ON**
13 **OCTOBER 10, 2001 BY IP WITNESS KAREN R. ALTHOFF?**

14 **A Yes. Witness Althoff submits a new cost of service study shown in summary form on**
15 **IP Exhibit 8.11. My understanding of this study is that it incorporates a significant**
16 **number of revisions done by other witnesses and corrects certain errors contained in**
17 **the cost of service study on IP Exhibit 8.2.**

18 **Q PLEASE PROVIDE AN EXAMPLE OF A MAJOR CORRECTION OF AN ERROR**
19 **REGARDING THESE COST STUDIES.**

20 **A The revenues submitted in the original cost of service study appear to be about five**
21 **times, or 500%, of the level of the revenues shown in the rebuttal or revised cost of**
22 **service study in IP Exhibit 8.11. The following Table 1 shows the revenues originally**

1 filed in the IP cost of service study in IP Exhibit 8.2 compared to the cost of service
2 study submitted on October 10, 2001 in IP Exhibit 8.11.

| TABLE 1 | | |
|--|--|---|
| Comparison of Revenue Levels Associated with IP Original Cost of Service Study and <u>IP October 10, 2001 Cost of Service Study</u> | | |
| <u>Class of Service</u> | <u>Revenue for IP Exhibit 8.2 (000)</u> | <u>Revenue for IP Exhibit 8.11 (000)</u> |
| Residential | \$417,653 | \$122,592 |
| SC 13 | 2,276 | 274 |
| Rate Class 2A | 31,503 | 6,836 |
| Rate Class 3A | 234,898 | 41,243 |
| Rate Class 3B | 111,693 | 11,279 |
| Rate Class 3C | 291,520 | 10,308 |
| Lighting | 16,266 | 20,612 |
| TOTAL | \$1,105,809 | \$213,144 |

3 It is my understanding that the revenue used for IP Exhibit 8.2 (the Original
4 Cost of Service Study) is not actually delivery service revenue, but total rate revenue.
5 For Rate Class 3C (demand metered above 1,000 kW), the original filed cost of
6 service incorrectly uses revenues of \$291.5 million when the appropriate revenue is
7 actually \$10.3 million. Witness Althoff states that IP Exhibit 8.11 now uses the
8 allocated revenue requirement for the residential class from the 1999 DST case. The
9 total jurisdictional revenues are misstated by \$893 million (\$1,105,809 less \$231,144)
10 in IP's original cost of service study, making the original study erroneous and
11 meaningless.

1 **Q WHAT DO THE TWO COST OF SERVICE STUDIES CONTAIN FOR INCOME TAX**
2 **EXPENSE?**

3 **A The level of income tax expense is extremely distorted, which is probably to some**
4 **extent related to the revenue error. The cost of service models supplied by IP contain**
5 **income tax quantities that are apparently changed externally by witness Althoff to**
6 **yield the quantities reported on the Exhibits. The following Table 2 shows the level of**
7 **income tax expense associated with the model used to perform the cost of service**
8 **shown as originally filed in IP Exhibit 8.2 and as filed on October 10, 2001 in IP**
9 **Exhibit 8.11.**

| TABLE 2 | | |
|---|--|---|
| Comparison of Income Tax Expense Associated With IP Original Cost of Service Study and IP October 10, 2001 Cost of Service Study | | |
| <u>Class of Service</u> | <u>Income Tax Expense on IP Exhibit 8.2 (000)</u> | <u>Income Tax Expense on IP Exhibit 8.11 (000)</u> |
| Residential | \$122,585 | \$(5,052) |
| SC 13 | 764 | (42) |
| Rate Class 2A | 10,317 | 31 |
| Rate Class 3A | 82,183 | 225 |
| Rate Class 3B | 40,654 | (242) |
| Rate Class 3C | 112,282 | (698) |
| Lighting | 1,744 | 1,626 |
| TOTAL | \$370,529 | \$(4,151) |

10 It is apparent that there was a significant revision or correction with respect to
11 the level of income tax expense in the original cost of service study to the level of
12 income tax expense contained in the cost of service study filed on October 10, 2001.

1 To put the magnitude of these corrections in perspective, the change in
2 revenues of \$893 million from the original filed study to the study filed on October 10,
3 2001 and the change in income tax expense of \$375 million from the same two
4 studies are both larger than the entire IP requested revenue requirement of \$304
5 million for this entire case. I have never encountered errors of the magnitude
6 contained in the original cost of service study in previous filings before any
7 commission.

8 **Q DO YOU HAVE OTHER COMMENTS YOU WOULD LIKE TO MAKE WITH**
9 **RESPECT TO THE REVISED COST OF SERVICE STUDY SUBMITTED BY**
10 **WITNESS ALTHOFF ON REBUTTAL IN IP EXHIBIT 8.11?**

11 **A**Yes. This cost of service study apparently corrects errors and updates quantities and
12 appears to be more accurate than the original cost of service study submitted on IP
13 Exhibit 8.2. However, this is basically a new cost of service study submitted on
14 October 10, 2001, which leaves a very short schedule for analysis and verification of
15 the accuracy of the study. The cost of service model provided by IP is proprietary
16 and the model contains masked formulas as did the cost of service model provided in
17 support of IP Exhibit 8.2. This study should have been presented in IP's original filing
18 and not in the rebuttal phase of this proceeding.

1 **Q HAVE YOU REVIEWED WITNESS ALTHOFF'S EXPLANATION FOR USING A**
2 **REPLACEMENT COST METHODOLOGY FOR THE ALLOCATION OF THE**
3 **EMBEDDED COST OF METERS AND SERVICES?**

4 A Yes. Witness Althoff states that Company assets are mass-accounted and that
5 embedded costs of meters and services by rate class cannot be determined.
6 However, to my knowledge, the majority of all of IP's costs are what witness Althoff
7 characterizes as mass-accounted and the determination of those costs by rate class
8 is accomplished through cost allocation using embedded cost techniques.
9 Distribution lines are not segmented by rate class. Transformers are not accounted
10 for by rate class. Other than specific equipment associated with street lighting, it is
11 doubtful that the accounting system does much in the way of accounting for costs by
12 rate class. The explanation provided by witness Althoff does not explain the rationale
13 for using replacement costs for the basis of the allocation of meters and services
14 costs to rate classes while not using replacement costs as the basis for any other
15 allocations.

16 **Q DO YOU HAVE COMMENTS WITH RESPECT TO THE METERING EMBEDDED**
17 **COST OF SERVICE STUDY SHOWN IN SUMMARY IN IP REBUTTAL EXHIBIT**
18 **8.15 AND THE DETAILS SHOWN ON IP REBUTTAL EXHIBIT 8.14?**

19 A The level of A&G expense and General and Intangible Plant costs continues to
20 dominate that actual metering cost in the study. With respect to the results for Rate
21 Class 3C shown on IP Exhibit 8.15, General and Intangible Plant costs are almost
22 identical to distribution plant costs. A&G expense is exactly the same as the sum of
23 operation and maintenance expense and customer accounts expense. Therefore,

1 according to the study, \$1 of A&G expense is required for each \$1 IP spends on the
2 entire operation and maintenance and customer accounts expense for the Rate Class
3 3C. Depreciation expense for General and Intangible Plant make the overhead costs
4 higher than the actual metering costs. Witness Althoff has not explained why the
5 allocation of A&G and General and Intangible Plant costs are as much as the actual
6 metering costs the study purports to examine or the reasonableness of those costs in
7 relation to the actual metering costs. I recommend that the Commission not allow IP
8 to set metering rates on the basis of IP's metering study.

9 **Q DO YOU HAVE COMMENTS WITH RESPECT TO WITNESS ALTHOFF'S**
10 **REBUTTAL TESTIMONY REGARDING YOUR SCHEDULE 3?**

11 **A** Yes. My Schedule 3 accurately shows that the IP requested revenue requirement
12 from the demand metered class has decreased in this case from the IP request in the
13 1999 DST case. Witness Althoff argues my Schedule is not in a proper format and
14 does not respond to the IP quantities shown on the Schedule. I have used the
15 formatting as supplied by IP. IP has used different formatting in the 1999 DST case
16 and in this case. In fact, witness Althoff has used different formatting in her original
17 presentation in this case versus the exhibits filed on October 10, 2001. The cost of
18 service study filed on October 10, 2001 in IP Exhibit 8.11, Page 1 of 2 provides more
19 detail and is in a different format than the results of the cost of service study provided
20 on IP Exhibit 8.2, Page 1 of 2. Similarly, IP Exhibit 8.11, Page 2 of 2 provides less
21 detailed information than the corresponding exhibit in the IP direct case, IP Exhibit
22 8.2, Page 2 of 2, because it eliminates the Demand Transmission, Demand
23 Subtransmission and Demand Distribution categories. IP Exhibit 8.11 shows no cost

1 by voltage level, while Exhibit 8.2, Page 2 of 2 does have a voltage level breakdown.
2 IP's data is often shown in different formats and the comparison contained on my
3 Schedule 3 depicts information obtained from IP and is still useful in my opinion.

4 **Q WHAT DO YOU CONCLUDE WITH RESPECT TO THE UPDATED AND REVISED**
5 **COST OF SERVICE INFORMATION PROVIDED BY WITNESS ALTHOFF ON**
6 **OCTOBER 10, 2001?**

7 A Witness Althoff has corrected errors and updated the IP cost of service study. While
8 it is my belief that the updated cost of service results may be more accurate than the
9 original cost of service study filing, it is important to realize that the level of A&G and
10 General expense could easily distort the results of any study (including the original
11 study and the new study) as explained in my direct testimony. Specifically, I
12 explained in my direct testimony:

13 "The problem is that overhead costs (A&G, Intangible and General
14 Plant) are dwarfing the metering costs, which are the subject of the
15 study shown on IP Exhibit 8.8. The results of the study are highly
16 suspect due to the inclusion of massive amounts of overhead expense,
17 which do not appear in the categories listed in "Metering Embedded
18 Cost of Service Study" summarized on IP Exhibit 8.9. In IP Exhibit 8.9,
19 the quantities for A&G, Intangible and General Plant costs are included
20 as part of rate base and expenses, but represent an unduly large
21 percentage of the costs shown and could easily distort the results.

22 It is extremely doubtful that a meter investment of \$1 caused an
23 investment in Intangible and General Plant of \$1.50 as stated in the
24 cost study. It is also extremely doubtful that \$1 of meter expense
25 caused about \$1 of A&G and other overhead expenses associated
26 with Intangible and General Plant as stated in the cost study. It
27 appears that the cost study is distorted by attempting to allocate costs
28 to classes that are not caused by distribution customers, but are
29 residual costs from some other unrelated function (or functions).
30 Therefore, the principle of cost causation has been abandoned in the
31 IP ECOS.

1 **Q WHAT IS YOUR RECOMMENDATION ON THE USE OF THE NEW IP COST**
2 **STUDY?**

3 A I recommend that the new cost of service study be used as a basis for the
4 determination of the percentage of net revenue requirement attributable to each rate
5 class. These percentages appear to be relatively constant and somewhat consistent
6 with Commission findings in the 1999 DST case.

7 **IV. IP Witness Leonard M. Jones**

8 **Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY FILED BY IP WITNESS**
9 **LEONARD M. JONES ON OCTOBER 10, 2001?**

10 A Yes. Witness Jones has filed updated exhibits correcting errors contained in his
11 original exhibits associated with present and proposed revenues and rate design. IP
12 Exhibit 6.8 has new values for virtually all levels of revenues and rates for the rate
13 classes, including rates, revenues and billing determinants. The indicated
14 percentage increase for the total demand metered class has changed from 13% to
15 39% even though the proposed revenue requirement is not significantly different.
16 The present annual revenues have been reduced significantly for the 12 months
17 ended December 31, 2000 on IP Exhibit 6.8 as compared to IP Exhibit 6.4. For the
18 demand metered class, almost all of the proposed unit charges for the proposed rates
19 have changed. While it is my belief that IP Exhibit 6.8 is more accurate than IP
20 Exhibit 6.4, there simply is not adequate time under this schedule to verify all the
21 results of the corrections, changes and updates shown on IP Exhibit 6.8. IP's
22 October 10, 2001 filing with respect to cost of service and rate design is virtually a
23 new filing with respect to IP's cost of service and rate design. Sometimes rebuttal

1 filings fine tune revenue numbers or rate issues. IP's filing completely changes the
2 rates for the demand metered rate class and changes the percentage increaser from
3 13% to 39%. IP's quantities are not fine tuned, but new or supplemental in nature. If
4 witness Jones is actually rebutting someone, it is himself.

5 **Q PLEASE COMMENT ON WITNESS JONES' ASSERTION THAT YOU**
6 **REQUESTED A MORE SPECIFIC EXPLANATION FOR THE COMPANY'S**
7 **PROPOSED RATES.**

8 A I indicated the Company's proposed rates lacked information and appeared to be
9 erroneous. Specifically, in my direct testimony I stated:

10 **"Q IS ANY COST INFORMATION CONTAINED IN THE EXHIBITS**
11 **SPONSORED BY IP WITNESS JONES CONCERNING**
12 **INTRAClass COSTS FOR DEMAND METERED DELIVERY**
13 **SERVICE?**

14 A No. Although witness Jones indicates that he ". . . generally relied
15 upon the applicable bundled rates, marginal costs and embedded
16 costs to develop the rate design.", no marginal costs or verifiable
17 embedded costs are included in his exhibits. To my knowledge, no
18 exhibits have been presented that show any marginal cost for the non-
19 residential demand classification or any other classification. In
20 addition, there are absolutely no cost categories shown in any exhibits
21 by witnesses Althoff and Jones concerning the subcategories within
22 the demand metered class. In other words, the IP filing fails to
23 demonstrate exactly how the intraclass costs for demand metered
24 delivery service were determined and used to develop rates.

25 . . . There is no supporting cost data for the significant changes in any
26 exhibits presented by IP. In addition, the only rate design exhibit, IP
27 Exhibit 6.4, showing revenue increases by class must be considered in
28 error because the billing determinants used in the Exhibit are wrong.

29 . . . There is no cost data presented by IP in the filing in this case that
30 warrants such a change and the concept of rate continuity as
31 expressed by IP would be significantly violated by implementing a
32 radical change at this early juncture of offering delivery service. I will
33 offer a recommendation based on the only data available as presented
34 in the IP filing.

1 . . . For subgroupings within the class, IP has changed the intraclass
2 rate design to produce distorted results without presenting adequate
3 justification.”

4 Witness Jones’ assertion that this information was requested by me is
5 erroneous. The filing of completely new rates, revenues, charges and rate design
6 explanation in the rebuttal phase of the case does not allow adequate time for
7 discovery, review and analysis of the completely revised quantities, which are
8 significantly different than the original quantities. The rate explanation contained in IP
9 Exhibit 10, including the attachments, should have been filed with the original
10 testimony in this proceeding to give parties an adequate and reasonable opportunity
11 for a full analysis of the proposed rate design with explanations and all studies.

12 **Q HAVE YOU REVIEWED THE REVISIONS AND CORRECTIONS CONTAINED ON**
13 **IP EXHIBIT 6.8, AS COMPARED TO IP EXHIBIT 6.4?**

14 A To the extent possible, yes. IP Exhibit 6.8 contains lower per unit rates for most
15 elements of the over 1,000 kW segment of the demand metered rate class compared
16 to IP Exhibit 6.4. However, the percentage increase for the demand metered class
17 on IP Exhibit 6.8 is approximately three times as large as the stated percentage
18 increase on IP Exhibit 6.4, even though the per unit rates are lower. This anomaly is
19 not explained by witness Jones.

20 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE RATES FOR THE**
21 **DEMAND METERED RATE CLASS?**

22 A I continue to recommend that the basic structure of the demand metered rate class
23 not be changed in this proceeding. The significant number of errors, corrections and

1 supplements call into question the accuracy and reliability of the IP cost of service
2 study and rate design in this case. In addition, filing a brand new study and rates
3 does not allow parties adequate time for a thorough analysis and investigation of the
4 large increases proposed by IP. It appears that the issues of the appropriate level of
5 A&G expense and General and Intangible Plant need to be decided by the
6 Commission because the proposed increases by IP in those costs dominate the
7 requested increase in this case. It is estimated that more than half of the entire
8 increase sought by IP in this proceeding relates to its desire to increase A&G
9 expense and General and Intangible Plant costs above the levels allowed by the
10 Commission in the 1999 DST case. The cost of service study filed on October 10,
11 2001 is basically a new cost study and the proposed rates filed on October 10, 2001
12 are new proposed rates, which are significantly different from the original filing.

13 As previously explained in my direct testimony, customers have been studying
14 and becoming acquainted with the rate structures found appropriate by this
15 Commission in October 1999. The rates approved for use in October 1999 basically
16 followed the rates proposed by IP. Customers require some rate continuity if they are
17 expected to participate in customer choice. In addition, the magnitude of the errors
18 and number of supplements contained in the Company filings do not provide parties
19 with an adequate opportunity to reasonably analyze and investigate the rate
20 increases, cost support and new changes proposed by IP. Therefore, given the time
21 schedule set forth in this case, and the other factors mentioned, it is inappropriate to
22 change the basic structure of rates and charges in this proceeding. Instead, an equal
23 percentage increase should be applied to all existing charges.

1 Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

2 A Yes.